

October 2, 2001

Honorable Walter Jones
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman:

I am pleased to respond to your request that CBO estimate the budgetary effects of H.R. 832, the Social Security Guarantee Act of 2001, which you introduced on March 1, 2001. H.R. 832 would require the Social Security Administration (SSA) to issue a certificate to each individual who is entitled to Old-Age, Survivors, or Disability Insurance benefits guaranteeing continued benefits under the law as in effect on the date of the certificate, including annual cost-of-living adjustments (COLAs).

CBO's baseline budget projections assume the continuation of current law for entitlement programs, including benefits under Title II of the Social Security Act. Consequently, except for one caveat (see below), CBO concludes that enacting H.R. 832 would have no direct effect on outlays for benefits. SSA would incur the cost of printing and mailing the certificates, which CBO estimates would cost about \$10 million for the 45 million current recipients and about \$1 million annually thereafter. That cost would come from SSA's administrative budget, which is subject to appropriation.

The bill would require the certificates to pledge adjustments in benefits at least annually "on the basis of an accurate determination of the increase in the cost-of-living of the individual." If H.R. 832 were enacted, that language could be construed as requiring the government to calculate COLAs based on the spending patterns of individual recipients, rather than on the aggregate Consumer Price Index. That interpretation would imply substantial administrative costs and could lead to higher benefit costs as well.

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I hope that this information is helpful to you. The CBO staff contact on this subject is Kathy Ruffing.

Sincerely,

Dan L. Crippen
Director

cc: Honorable William "Bill" M. Thomas
Chairman
Committee on Ways and Means

Honorable Charles B. Rangel
Ranking Democrat